A Study on Institutional Change: Ottoman Social Structure and the Provision of Public Goods*

Kurumsal Değişim Üzerine Bir Çalışma: Osmanlı Sosyal Yapısı ve Kamu Hizmetlerinin Karşılanması

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Abstract

The article seeks to contribute to issues of institutions that constitute the historical plane on which 'democratic development' rests. With that idea in mind, it sheds light onto the institutional course of the Ottoman Empire through the examination of two phenomena: the social structure of the imperial subjects and the provision of public goods. The reason that these two phenomena are essential in assessing the historical trajectory of the empire lies in their particular developmental paths that intertwine and support each other. The Ottoman Empire, which, to an extent, can be seen as the successor state to the Byzantines - as the Byzantine Empire was to Rome-, formed the highest stage of Islamic political institutionalization, having built upon the heritage of mainly the Turks as well as the earlier Muslim polities such as the Umayyad, Abbasid, Seljukian and Mamluk dynasties -plus that of the Mongol. Keeping in mind the Western state model, in the complexity of the political and economic Ottoman organization, those differences that appear as differences of degree compared to the West, still constitute an Ottoman peculiarity.

Key words: *Ottoman Institutions, (Democratic) Development, (Ottoman) State, waqf, lonca, property rights*

Özet

Bu makale, 'demokratik gelişim'in dayandığı tarihi zemini oluşturan kurumsal konular literatürüne katkıda bulunmayı hedeflemektedir. Bu amaçla, iki temel olgunun irdelenmesi aracılığıyla, Osmanlı İmparatorluğu'nun kurumsal süreçlerine ışık tutar. Bu iki olgu, imparatorluk tebasının sosyal yapısı ve kamu ürünlerinin karşılanmasıdır. Bu iki fenomenin, imparatorluğun tarihsel yörüngesini tahlil etmedeki önemi, tarihsel olarak birbiriyle kesişen gelişim yollarına dayanır. Kendisinden önce gelen Emevi, Abbasi, Selçuklu ve Memluk hanedanları, Moğol etkisi ve temelde Türk mirası üzerine inşa edilen ve bir dereceye kadar, Bizanslılar'ın halefi sayılabilecek olan Osmanlı İmparatorluğu (bir anlamda Bizanslılar'ın Roma'nın halefi olmaları gibi), İslami siyasi kurumsallaşmanın en yüksek noktasını temsil etmektedir. Batı devlet modelini göz önüne aldığımızda, Osmanlı ekonomik ve siyasi organizasyonunda, Batı'ya göre, derece farkı olarak görünen farklılıklar, aslen Osmanlı'ya has kurumsal niteliklerdir.

Anahtar kelimeler: *Osmanlı Kurumları, (Demokratik) Gelişme, (Osmanlı) Devlet(i), vakıf, lonca, mülkiyet hakkı*

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Introduction

An Egyptian thinker once remarked: "associations for joint philanthropy are few in our country, in contrast to individual charitable donations and family endowments, which are usually endowed by a single individual."[1] The implications hidden in this observation are apt for the analysis of the structure of institutional change as indicators of two main phenomena: (1) nature of social capital in Western and Islamic societies (2) historical pattern of development based on (the lack thereof) an evolving corporatist structure.

The observation is also interesting from a theoretical point: it is argued that the Islamic behavioral norms dictate a *homo Islamicus* understanding of the individual that exhibits humanism and altruism as opposed to Adam Smith's *homo economicus* that exhibits acquisitive pragmatism. In a way, the assumption of altruist behavior which the game theorists find problematic is the basis of action for *homo Islamicus* that is his utility function incorporates others' utility functions. Hence, the "Islamic man" is a collective entity and rationally behaves as one.[2] Once the theoretical axiom that the Islamic economic and philosophical thought is allegedly built upon is in the picture, what is expected to follow is not individualistic but communal associations. In the same way, if the Western economic and philosophical thought is built upon the selfish man that acts rationally and individually, the immediate expectation is not social associations for philanthropy. The fact that the outcome is exactly the opposite demonstrates an inherent flaw in the theoretic occupation and/or that the historical path is based on the differentiation, in degree and kind, of political organization in accordance with the evolution of corporatist structures rather than imagined civilizational differences.

The evolutionary paths of societies depend on the initially minor differences that become self-augmenting by pushing societies onto those very paths as "through their cumulative effects on political, social, and economic evolution, differences that appear minor when judged at any given moment may allow one society to overtake another in terms of institutional creativity, material wealth, and military might."[3] This explains in theory why it was practically possible that the Islamic society, once the pillar of political and economic advancement, could fall behind the Western boom (roughly from the 18th century on), and why the institutional evolution for one particular society is not necessarily uni-linear. Today, the fact that the Islamic society still

1 Timur Kuran, "The Provision of Public Goods under Islamic Law: Origins, Impact and Limitations of the Waqf System" *Law & Society Review*, 35 (4), 2001, p. 865.

2 For a detailed analysis of the behavioral norms of Islamic doctrine, see Timur Kuran, "Behavioral Norms in the Islamic Doctrine of Economics: A Critique", *Journal of Economic Behavior and Organization*, 4, December 1983, p. 353-379.

3 Kuran, ibid. (2001) p. 882.

remains in 'Braudel's bell jar' indicates that the structural change is slow and hard to change itself.[4]

North proposes that the model of the state with a wealth -or utility-maximizing ruler is useful in accounting for historical change. Such model has three essential characteristics, the first of which specifies the exchange between ruler and constituents. Namely, the state provides justice and protection for revenue. The other two characteristics specify the conditions that will determine the terms of exchange. One of these conditions is that the state attempts to act like a discriminating monopolist that devises property rights for each constituency so as to maximize revenue. The other condition is that the state is constrained by the opportunity cost of its constituents since potential rivals to provide the same services always exist. North argues that at a certain cost the constituents may go over to a competing ruler in another existing political-economic unit or support a competitor of power within the existing unit. The former alternative depends on the structure of competitive political units while the latter depends on the relative violence potential of competing constituents. North posits that the ruler's efforts to keep the constituents loyal will be determined by the supply curve of protection and marginal benefits to be derived from additional constituents.

North's simplistic model gives rise to two constraints on the ruler: a competitive constraint and a transaction cost constraint, which typically produce inefficient property rights. Under the first constraint, the ruler will avoid offending powerful constituents; efficient property rights may lead to higher income but mean lower tax revenues because of the transaction costs (i.e. monitoring, metering and collecting such taxes). In fact, the ruler will specify a set of property rights designed to maximize his monopoly rents by monitoring the inputs and outputs of each segment of the economy. Common property resources have persisted where the costs of measuring the dimensions of the resources have outweighed the benefits. Yet, there is also the case of the agents of the ruler who are imperfectly constrained and whose interests never completely coincide with the ruler's. As such, the result is usually the dis-

4 "The key problem is to find out why that sector of society of the past, which I would not hesitate to call capitalist, should have lived as if in a bell jar, cut off from the rest; why was it not able to expand and conquer the whole of society?...[Why was it that]...a significant rate of capital formation was possible only in certain sectors and not in the whole market economy of the time? ....It would perhaps be teasingly paradoxical to say that whatever else was in short supply, money certainly was not....so this was an age where poor land was bought up and magnificent country residences built, great monuments erected, and cultural extravagance financed...[How do we] resolve the contradiction....between the depressed economic climate and the splendors of Florence under Lorenzo the Magnificent?" *Braudel quoted in Hernando De Soto,* The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else, *Basic Books, 2000. Also, see Fernand Braudel,* The Mediterranean and the Mediterranean World in the Age of Philip II, Volume I and II. *London: Harper & Row, Publishers, 1972 for a historical context.*

sipation of the monopoly rents of the rulers to the agents, and in some cases agents and constituents collude to divide up some of the monopoly rents.[5]

The case of the Ottoman Empire constitutes a peculiarity in two main deviations from the implications of the model. One deviation regards the 'opportunity set of constituents' which were, compared to Western European ones, almost non-existent. The other is at the point of 'efficient property rights'. The reason for what appears to be the lack of efficient property rights from a Western point of view is not explained by transaction costs or the incentive of the rulers to maximize their monopoly rents; the better reason is the atypical societal dynamics and a different construction of state which did not entail a need for efficient property rights in the first place due to the bargaining strategy of the sultans; or rather "efficiency" was achieved with uncharacteristic dynamics which may appear as an "Orientalist strategy" to the outside observer.

In Western European state-formation literature, the state is analyzed as an actor which implies certain autonomy regardless of the general need for centralization and territorial consolidation: it is an actor gaining the quiescence of internal populations if not legitimacy and securing them against foreign enemies. The state interacts with, manipulates or alters the relations among societal classes with variations in the level of success or power. This perspective, however, is not sufficient to comprehend the Ottoman state structure. The Ottoman patrimonial-bureaucratic rule was quite different from its counterparts for various reasons.

One such difference stems from that bargaining between bandits and the state would seem an anomaly in the Western European state centralization model. Indeed, the European history engendered two different styles of state formation: patrimonial and brokerage. The Ottoman rule rested on a different dynamic: one of "combination of patrimonial system of rule with a brokerage style of centralization."[6] While French history, for instance, attests to the alliance of anti-state peasants with centralization-avert nobility, the Ottoman history attests to state centralization through incorporation, which invalidated the very dynamics: the state developed a style of centralization that emphasized bargaining even during consolidation. It is in this distinct style that the divergence of future institutional paths lies.

Another difference is in that the privileges granted to the elite did not

5 See Douglass C. North, *Structure and Change in Economic History*, New York: W. W. Norton, 1981, especially chapter 3 for a detailed explanation of these theoretical points.

6 Karen Barkey, *Bandits and Bureaucrats: The Ottoman Route to State Centralization*, Cornell University Press, 1994. p. 11. Also, on p. 10: "Patrimonial, where conquerors sought tribute more than the stable control of the population and resources; brokerage, where the bounded territory became the object of war, which was conducted by foreign mercenaries".

guarantee full security over property rights as the final word belonged to the Sultan. Yet, the state was precisely reliant on this precariousness as opposed to well-established tenure. This aspect of insecurity obviously produced a kind of elite constantly in attempts of patrimonial relationship with the dynasty. More importantly, the system did not allow for the institutionalization of informal, enduring, and credible applications over economic resources by the elite, which, as a two-edge blade, could be argued to have left a vacuum in otherwise absolute Ulema power vis-à-vis the Sultanate.

This article analyzes the social structure being divided between "bandits and bureaucrats" of the empire, and focuses on implications for political and economic evolution of the institutional system. The first section examines the nature of the social structure; the second section, the nature of Ottoman rule; the third section, the interaction among social segments while the last part selectively analyzes the *waqf* system as the provider of public goods under Islamic law and the guilds. While the first three sections point out the momentous divergence in dynamics of class formation and ruling stratum in the Ottoman Empire, the last one signifies the socio-economic foundations of this divergence through an examination of the two most stable socio-economic institutions of the empire.

I. Why, the absence?

Hezarfen Ahmet Celebi, one of the first aviators of history to have succeeded in flying with artificial wings, is supposed to have been inspired by and used the studies of Leonardo da Vinci on the flight of birds. In the year 1638 (during the reign of Sultan Murat IV), he took off from the 183 foot tall Galata Tower and succeeded to fly over the Bosphorus. His flight was successful and he landed on the other side of the Bosphorus. Hezarfen (meaning expert in thousand sciences) was also a scientist, working on dead human bodies. One of Hezarfen's friends Lagari Hasan Celebi is known to have performed the first flight with a rocket in a conical cage filled with gun powder. The flight was estimated to have lasted about 20 seconds and the maximum height reached around 300 meters. He is considered to have made a soft landing to the Bosphorus. Their stories were recorded by the famous traveller-historian Evliya Celebi in his Seyahatname (Book of Travels).

North argues that the engine of growth is perhaps neither technology nor capital but efficient property rights which guarantee their functional use: it is the institutional structure that is the breath of life blown into innovations and change. Introducing the idea that the Industrial Revolution indicated acceleration in the rate of innovation; he explicates that better specified property rights improved factor and product markets which in turn gave rise to increased transaction costs due to the increased market size, specialization, and division of labor. Organizational changes were devised to reduce these transaction costs. The consequence was the radical reduction in the cost of in-

novating while the increasing market size and better-specified property rights over inventions raised the rate of return (on innovating). Within this milieu, the wedding of science and technology produced the elastic supply curve of new knowledge and the unprecedented developments.[7]

Nonetheless, according to Mokyr, technological progress is essentially "any change in the application of information to the production process in such a way as to increase efficiency, resulting either in the production of a given output with fewer resources, i.e. lower costs, or the production of better or new products", and the idea of Schumpeterian growth which can be summarized as "capitalist expansion deriving from continuous, though fluctuating, technological change and innovation, financed by the extension of credit"[8] does not refer only to "capitalist expansion financed by credit alone", but instead "technological progress [that] predated capitalism and credit by many centuries, and may well outlive capitalism by at least as long."[9] Still, technological progress of earlier ages, including the Antiquity, did not result in a rate of economic growth and development similar or comparable to that of modern European capitalism. Mokyr, evaluating the technological and scientific progress of the Classical Antiquity, concludes that "the Rome of 100 AD had better paved streets, sewage disposal, water supply and fire protection than the capitals of civilized Europe in 1800" and that "most agriculture, manufacturing, and services were carried out by the private sector, however, and achievements there were few and slow."[10] He further examines the position or role of slavery in the conditions that carried low regard for practical technology: the separation between science and philosophy on the one hand and productive processes on the other which displaced the pragmatism of Ionian and Pythagorean philosophies coincided with the expansion of slavery in 5th century BC, which was the only societal segment to be the natural producer of most inventions. The implication here is that the institutional structure need not wholly protect usufruct rights over productive activity but some level of sufficient protection is both necessary and just enough to provide an incentive mechanism. In this respect, Mokyr directs attention to the fact that patent systems did not emerge until the 15th century and were firmly established only by late 18th century. Although "Landes, Jones and North pointed to differences in security as a key factor in European development,"[11] development of property rights in Europe

7 North ibid. p.159.

8 William Parker, *Europe, America, and the Wider World*, Cambridge: Cambridge University Press, 1984, p. 191 quoted in Joel Mokyr, *The Lever of Riches: Technological Creativity and Economic Progress*, Oxford University Press, 1990, p. 6. Also see Parker, ibid. for further details.

9 Mokyr, ibid. p. 6.

10 Ibid, p. 20.

11 Ibid, p. 177. For further on patent systems and property rights, see Eric L. Jones, *The European Miracle*. Cambridge: Cambridge University Press, 1981, David Landes, *The Unbound Prometheus*, Cambridge: Cambridge University Press, 1969, and North ibid.

indeed took place much later and after the realization of the importance of property rights to development.

In the European socio-political setting, the state worked to exclude from its realm all regional power holders, and only much later developed the policy and ideology of inclusion. The European state-makers who were ultimately successful in centralization and monopolization of coercion manipulated the structure of society according to their agenda, and thus received resistance from various segments, which sometimes allied with each other despite differences in motivation.[12] Namely, the organizational structure of the polity constantly changed to adapt to new social circumstances, which in due course resulted in a stronger base for property rights with the realization of the importance of property rights to development. Whereas, in the Ottoman Empire, as the opening story of Hezarfen and Lagari meant to indicate, innovation remained "individual" rather than transforming into the "institutional".

"In fact, the property rights which emerge are a result of an on-going tension between the desires of the rulers of the state, on the one hand, and efforts of the parties to exchange to reduce transaction costs, on the other."[13] In this context, "the parties to exchange" were the missing ingredient in the Ottoman Empire. Namely, the peasants were not engaged in an effort "to reduce transaction costs (of the system)"; they did not rebel in alliance with fellow peasants or nobility; when they did rebel, it did not go beyond being, in the words of Mardin, "a flash in the pan", and hence, did not open up paths to lead a series of institutional changes. Further, nobility in the Western conceptual sense did not exist, while the peasant who could not gain his livelihood from the land chose to pursue it off the land and become a bandit. The paradoxical point was that his opportunity sets were both provided and controlled by the central state authority.

The initial Ottoman control and revenue sharing system brought cooperation among various Anatolian identities and on the newly conquered Christian lands by way of abolishing feudal obligations and enacting a lighter system of taxation than the former Byzantine-Balkan system. It was in this context that a number of Muslim Turkish princes and Byzantine barons, instead of fighting the Ottomans, joined them. This progressive policy of inclusion toward existing social structures and religious beliefs and of cooperation with groups that immigrated or were settled on Ottoman territories continued to form the backbone of Ottoman expansion in the first centuries. *The participatory pattern of rule* indeed mirrored a "bottom-to-top" system and society. However, following the *Fetret* Era (1402-1413) of chaos and lack of a governing authority in the aftermath of the Mongol invasion during which the principalities did not demonstrate loyalty to the Ottoman rule; as the Ottomans once again

12 For details, see Barkey, ibid.

13 North, ibid. p.18.

emerged as the dominant power, the construction of a centralized state and the reproduction of its own ruling elite, in time, led to different dynamics. In this milieu, the participation of the "bottom" societal layers in the organizational structure of the state and the emerging administrative-political system was silenced with the creation of strong Ottoman elite. More importantly, the societal layers and its representative leaders were absorbed and transformed into the very elite. This alteration in the organizational nature of the state over time consolidated a "top-to-bottom" system which created its own institutions and mentality, and was successfully internalized.

"The greatest achievement of the Ottomans by the time of the Classical Age was building an empire with a bureaucratic administration that extended beyond the immediate patrimonial realm."[14] Although the local power holders were not enthusiastic to surrender their privileges, the empire still managed to both consolidate and control for a much extended period of time. The core of the empire -the Balkans and Anatolia- achieved fairly uniform centralization while the peripheries could enjoy more autonomous structures because overextension of the empire to the peripheries, in nature, required more energy and resources. However, the main success of durability was due to the ability to engineer a system in which the alliance of members of the military and administrative apparatuses was practically unchallenged since the officials, even in times of economic and military set backs, looked for rewards to (and awaited punishments from) the central state apparatus instead of challenging it. In other words, the state tied the segmenting elites and masses into its orbit. Thus, despite the autonomy of differing degrees in the periphery, all potential regional elites as well as potential corporate entities were strictly and solely the agents of the central authority.

The conquest of the Balkans and the Arab lands brought about the need to incorporate these new cultural, ethnic and religious groups inducing them to contribute to the welfare of the state. For that, the ruling class was to function as the warriors and administrators. The ruling class *(askeri)* was the embodiment of the sultan's absolute power, and included those to whom the Sultan delegated religious or executive power through an imperial diploma: namely the officers of the court, the army, civil servants, and the *ulema* (the learned men of religion). This was a "class" created *by* the state *for* the state. As a fundamental rule of the empire, those outside the military class that is the subjects *(reaya)* were outside the privileges of the state: Muslim or non-Muslim, they paid taxes and had no part in the government.

Among the most important central institutions of the empire was the *Janissary Army*, which was responsible for the security of the Sultan.[15] In the ear-

14 Barkey, ibid., p. 25.

15 From the 17th century on, the bargaining power of the Janissaries rose to challenge the

ly days of the empire, the effort on the sultan's part to lessen his dependence on his Turcoman notables resolved itself into an effort of creating a counter-force, for which the Christians of the conquered territories seemed to fit. Sultan Murat I began the practice of recruiting the brightest and most talented Christian male youths to be trained in the capital. Sultan Mehmed, conquering Constantinople, guaranteed that this system enhanced his central rule by countering the notables. The Christian villagers were to surrender their male children who were then brought to Istanbul where their Ottomanization began (*devşirme* system). "Muslim subjects were excluded because it was believed that they would abuse their position whereas Christians who were given a chance to rise in an alien system would become zealous at the task of maintaining it."[16] The other reason was to not disturb agriculture by pulling out the peasantry into the army. To the end of creating a counter-force to consolidate and strengthen central power, the possibility of an independent Ottoman land-owning aristocracy for which the notables could have been candidates was destroyed by the fall of Constantinople in 1453, and with the *devşirme* system in full use, the central authority was made ever more powerful.

In the theoretic exposition of North and Thomas with regards to the divergent paths of Eastern and Western Europe, the reason that the lords of Eastern Europe got so much power over the serfs is explained with the central political power of the state, which, effectively preventing lords from competing for labor by way of keeping enforcement costs low, caused collusion and led to the endurance of the feudal system whereas in Western Europe the lords had to compete for labor with changes in the parameters, i.e. population decrease, which caused non-collusion; and this, over time, led to the demise of the feudal system. Hence, Western Europe found parliamentary rule on the unsteady and violent (more so for the peasants) path of competition for the lords. While the assumption of collusion in North/Thomas model rests on the power of the central authority, the argument here rests on that it was the nature of the social structure (shaped by the absence of rebellious alliances to trigger systematic change) as well as state-society interaction, and not the power of the central authority (which was stronger in the Ottomans anyhow) that indeed determined such developments as collusion or non-collusion.[17]

authority of the Sultan. Earlier, their allegiance was firm and to the center; when they revolted, the threat was not directed against the person of the Sultan but against what they perceived as "two centers of authority" as opposed to what should be (one center that of the Sultan) which targeted either general governors or viziers. Over time, uniting with or manipulated by the *Ulema*, the *Janissary Army* became the base of religious reactionarism; they could depose and execute reformist sultans at will until finally Sultan Mahmud II abolished the institution in 1826; and established a modern army.

16 Barkey, ibid, p.31. For further details, see Stanford Shaw, *History of the Ottoman Empire and Modern Turkey, Volume I-II*, Cambridge University Press, 1976.

17 "*The entire Turkish Empire is ruled by one master, and all other men are his servants...*" (Machiavelli); *A monarchy where there is no nobility is ever a pure and absolute tyranny; as that of Turks...* (Francis Bacon).

II. Bargainer Par Excellence

The Ottoman strategy of incorporation was a far cry from the European state makers' agenda... It is quite difficult to imagine Louis XIII or Louis XIV sitting at his desk scribbling, "This goes too far; is it possible to give this much?" on the letter from bandit leader, or any rebel for that matter. It is probable that a letter of this kind would have never reached the (French) monarch in the first place. But Ahmed I was willing to listen and, if necessary, to bargain openly with those he declared to be celalis, bandits.[18]

The above interpretation differs radically from more traditional interpretations as it takes into account the multiple-layered interactions of social segments with each other and the Sultanate, and the way in which the Sultanate both created and survived upon these dynamics. From this perspective, what is traditionally viewed as the weakness of the state –from the 17th century on- appears as its strength that lured the empire into the 20th century. Indeed, although the decline of the empire caused (first traditionalist and later modern) reformist mentality, the important aspect in terms of the institutional path was the *duality* it ultimately created. The duality was between the reforms in the superstructure and the absence of the existent social infrastructure to support them, and led to the prolongation of inertness in the inherent inefficiency of the (political and economic) system.

The durability of the empire in the midst of all forms of crisis is usually tied to two institutions: (1) the scribal service which worked ensuing that the daily functions of the government, i.e. taxation, equipping of armies, would continue despite changes or crisis within the vizierate; (2) the courts and the legal system which continued to function and keep the confidence of the *reaya* in regulating their affairs. In general, it was the continuity in these mundane functions of governance that assured imperial survival.[19]

While the European transformations depended on an evolution of rational bureaucracy, the Ottoman state developed a flexible structure of which the use of rational-legal and traditional aspects of rule formed the core. In other words, the state did not uni-linearly evolve from traditional to formal, legalistic, rational rule. The mode of rule diverted from traditional features to purely administrative dogma or pure bargaining. This pattern however did not come to mean that the state did not move from "being the Sultan" to "being an institution". What it did come to mean was because the state apparatus could respond to social and economic needs in the traditional sense it was expected to, it did not experience elite revolts and/or popular peasant uprisings -the two

18 Barkey, ibid.

19 See for further details, Colin Imber, Ideals and legitimation in early Ottoman history. In *Süleyman the Magnificent and His Age*, ed. Metin Kunt & Christine Woodhead, 138-154, London: Longman Group Limited, 1995.

conditions of state-breakdowns- even during its last century of existence. The other condition, that is the intraelite struggle, was produced and controlled by the state. Even bandits, those who were the *outsiders*, were utilized in the process of consolidation through bargaining and incorporation. Hence, (some of) the conditions of state breakdowns in Europe served to consolidate the system in the Ottomans.

Interestingly, this consolidation process did not follow strict rules or dogma, i.e. the handing out of legitimate positions to bandits; on the contrary, it followed different political purposes in a rather creative and flexible way. At times, the state followed a policy of crisis management in which decisions that might seem chaotic were indeed rational responses to temporary situations developing in the peripheries. The consolidation process also included policies that pitted landholder against landholder, governor-general against governor-general, and governor against governor. This created an atmosphere of "competition" in which it was impossible for the elites to organize for concerted action against the state. Moreover, once again, even the rebels desired to be infused back into the state's privilege structure. The solutions that they searched for were state-oriented in that being trained by the state or unable to disassociate their future from that of the state; they did not seek to alter the organizational structure.[20] This was precisely the reflection of the "top-to-bottom" social structure the composition of which was analyzed in the earlier section.

The Ottoman policies of bargaining were not policies of weakness (neither did they constitute an outliner of the Ottoman state theory) but deliberate (and for that matter rational) calculations originating from the need to incorporate more armies for battles and to prevent the potential regional power that the bandits might gain if left on their own. "Only when they were not entirely useful did the state engage in the destruction of these groups."[21] While the Western conception of legitimacy excluded the idea of negotiation with challengers and from time to time led to state dissolutions, the Ottoman understanding of legitimacy reinforced the strength of the sultanate by way of negotiation and incorporation of the "illegitimate" into the ruling structure. Barkey argues that for the Westerners this was a blur of illegitimacy with legitimacy, weakness with strength, but for the Ottoman eyes, legitimacy was one and clear since for the ultimate arbiter, this scheme proved only to solidify state legitimacy, and prolonged undisputed rule.[22]

At the base of this "undisputed" rule was the revenue-sharing mechanism upon which the Ottoman control depended. The Ottoman order thus

20 For details, see Barkey, ibid, chapter 3.

21 Barkey, ibid, p. 240.

22 Barkey, ibid.

extended to economic institutions through the control of price and surplus; to political institutions through the creation and control of political and administrative bureaucratic elite; and to ideology through the use of legitimacy devices building upon Turk-Mongolian as well as Islamic heritage.

III. Disjointed Provincial Elites and Peasants: Loyal Outcomes

When the *tımar* holder Halil Bey of Bekir, Burunorumcek, and other villages sent his agent to collect taxes, the peasant Veli B. Mehmed refused to pay and in court complained that he had already paid a considerable amount (130 olcek of wheat, 42.5 olcek of barley, 11 olcek of oats, and also some chickpeas) a few months earlier. When other peasants joined in to corroborate the story, the court ascertained that an imposter, Solak Mehmed Aga, had collected grain in these villages. Peasants had duly delivered the grain because the impostor held an imperial diploma, later ascertained to be false (1650-51).[23]

"A few days before the middle of the month of Şaban 1063 (1653), İbrahim left his village of Alibeyli, traveled across the Cal Mountains and the plain of Manisa, a journey at least a couple of days, and came to court in Manisa to request an explanation from the kadı (local judge) regarding relentless increases in taxation. He emphatically argued that he did not believe there could be a Sultanic order to collect so many taxes and therefore requested documents of proof regarding taxation. With this demand, he demonstrated suspicion of the local tax-collecting officials and his faith in the justice of the Sultan. Unwilling to question the higher authority of the Sultan and trusting that "the circle of justice" was functioning properly; he accused local officials of abuse. He was shown the latest imperial orders demanding new and varied taxes and returned home, disappearing from the historical records".[24]

The institution of the cavalry army which consisted of prebendal land (*tımar*) holders and their retinues was the essence of the Ottoman provincial system.[25] The *tımar* system had four characteristics: the system (1) was based on the allocation of land to members of the cavalry in return for service in the provincial army; (2) had a "rotating" nature; (3) rewarded those who were successful by incorporating them into higher positions in the state or by wealth; and (4) did not allow for inheritance -on the contrary, it was based on the absence of inheritance-.

The nature of the relationship between the state and the *tımar* holder was such that the *tımar* holder, who saw his existence and fortunes tied to the state, was only an agent of the state, which was the definitive owner of the

23 "In Ottoman style patron-client relations, peasants did not even know their landholders well enough to distinguish them from impostors!" Barkey, ibid. p. 92.

24 Barkey, ibid

25 For the limits of the paper, these institutions are selected to analyze the societal structure since they are seen as the major constituents making up (or rather mostly contributing to) the divergent path of institutional evolution.

land. In other words, the state was the sole property owner, and the *tımar* holder was *formally* linked to the state. His duty was to prepare for battle and take charge of the administration of the villages under his jurisdiction for which he was provided sufficient autonomy. Consequently, forms of decentralist structure existed albeit under the auspices of a larger, central one. One important aspect of this nature was that the *tımar* holder did not have any linkage to other *tımar* holders. This absence led to the lack of an incentive to rebel against the state as a *class*. Although the *tımar* holders remained a *class-in-itself*, their own *sense of interest as a class* did not develop.[26] Further, the *tımar* holder was surrounded by judges and treasurers whose interests were directed to, again, the state. Hence, in the logic of the system and the opportunity sets it provided, the ultimate loyalty was purely to the state.

The nature of the relationship of the *tımar* holder to the peasant was even more peculiar in that it was defined with the rotating nature of the *tımar* system and the bases of the relationship between the state and the *tımar* holder. Because the state assigned the *tımar* holders for only a short period of time to a certain piece of land through the system of rotation, there did not exist a temporal relationship between the *tımar* holder and the peasant. Thus, through the policy of rotation, the state controlled both the *tımar* holder and the peasant in that it did not create an opening for them to get involved in conflict with each other. As previously noted, the carefully drafted arena of conflict was among the ruling classes for the purpose of incapacitating and controlling the elite. Furthermore, because the neighboring villages were put under different *tımar* holders, even when the peasants of one village sought to rebel, they could not form an alliance with fellow villagers to be effective, as the fellow villagers had no stake in a rebellion against a lord who was not even their lord. In this way, the peasants did not develop *class-consciousness* which was also exacerbated by the organization of production based on the family unit alone. In sum, it was not only the *tımar* holder but also the peasant who were disjointed to the advantage of the Sultan. There were no serious allies to be found for the Ottoman peasant to engage in large-scale rebellions against the state whereas Europe witnessed peasants and nobles allying against an increasingly intrusive state. After all, the offspring of one peasant could have hereditary rights to sew the lands his father sow but the *tımar* holder was off to another land (in the time period of e.g. three years).

The policy of rotation and the absence of inheritance also determined the *tımar* holder's relationship with the land. The *tımar* holder could not remain on the land to develop any emotional, social, or economic ties with it that the state would not approve. His autonomy was very much limited to the extent the state saw fit. "The attempt to discourage the formation of strong

26 Barkey, ibid.

patron-client ties in the provinces was bolstered by the overarching lack of private and thus inheritable lands".[27] Moreover, in the absence of real ownership of land, the *tımar* remained solely a political and administrative unit, and the *tımar* holder interested in taxation but disinterested in the land -which made him impersonal enough so that no solidarity could emerge between rural classes. This again contributed to the effort that the peasants would be left empty-handed for a possibility of an alliance against the state. Finally, the absence of private ownership of land, reinforcing the rotation of landholding elites, hindered their development as a class with some potential to challenge the system.

There is one last dimension to consider: the odds of collective action and the relative impartiality of justice. Collective action depends on the organizational capacity of the distressed groups when they have accumulated enough resources to mobilize as a collectivity.[28] The structural features of control by the state made it impossible for the peasants to organize as a collectivity for all the reasons briefly outlined above. One remaining reason was the highly fluid nature of groups moving back and forth between stages of agriculture and nomadism. In the empire, migration to the cities and religious schooling also became alternatives besides flight (to the mountains) or renomadization. Yet, more importantly, the general set of alternatives was controlled by a different mechanism: the institution of the court, the alternative to make official complaints. Thus, the *kadı* (local judge) was the third party that the state introduced into the dyadic relationship of the peasant and the *tımar* holder. In contrast to Europe, justice was not a public good provided by the lord but by the central authority whose agent impartially listened to both sides and passed judgment that could benefit any side. Hence, the Ottoman peasant once again lost a potential alliance possibility as well as an immediate reason to rebel.[29]

This is a short analysis on the reasons behind the lack of "parties to an exchange" peculiarity. However, there is another dimension, which supports this peculiarity: law and the Islamic theories that shaped it. Peasants and landholders did not rebel or ally in rebellion to demand a change in the system or were contended and absorbed within the system (or crushed if the state saw no use for absorption) for structural reasons analyzed in this and the previous sections. On one hand, with the passage of the Caliphate to the Ottomans in the 16[th] century, the Ottoman Islam shaped by Turcoman-Anatolian cul-

27 Barkey, ibid.p. 65.

28 See Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press, 1965 on the dynamics and logic of collective action.

29 The logic here is not very different from that of the analysis of deviation of the workers in Europe from a Leninist revolution, through negotiation, incorporation, and labor unions, having received concessions.

ture began to be infused with a certain form of Arabization. On the other, the theory of resistance in the religion of Islam, advocated by the forces of reason versus the forces of sanctified tradition, failed to be institutionalized in the face of the reign of orthodoxy dominated by Arab elites since the 8th century Umayyad Dynasty. This infusion of orthodoxy permeating the Ottoman Islam led to a peculiar traditionalist mentality that further worked to reinforce the existing institutional system and, over time, became identified with "opposition to change".

IV. The Ottoman Waqf System: A Prisoner of Its Own

The Islamic institution for the provision of public goods, the *waqf*, served in the empire as a credible commitment device founded for the purpose of providing the owners of land and other immovable assets economic security in return for investments in public goods. The *waqf* system, promoting social services by way of providing protection, could have created a rich social capital among the *reaya* of the empire. The reason it did not, according to Kuran, lies in the impact of the Islamic law that proved incapable of adapting to new circumstances, which brought about increased transaction costs and demanded an institutional reorganization.[30] Namely, the *waqf* could not reproduce itself to respond to radical developments happening within the milieu of European industrial revolution, which wedded science and technology and caused increasing returns on innovation. The consequence was that the societal and institutional structure did not transform into a corporatist one. Let us investigate this issue further taking up Kuran's perspective.

At the foundation of *waqfs* lied religious, economic, and political reasons. The economic reasons stemmed from two factors: weak property rights and restricted testamentary rights.[31] In order to achieve control over their assets, early Muslims established this institution to enhance the security of their property. The institution was further given religious legitimacy so that its confiscation at times could be prevented to an extent. In a way, this attached "sacredness" also enabled the state to commit to upholding the property owner's rights. The social motives were obviously related to the Islamic influences concerning solidarity and responsibility while the political ones were related to the economic privilege that the system carried with itself as the vehicle to finance Islam as a society. For the non–Muslims, despite any obstacles, there were no legal barriers. As Christians and Jews of the empire gained economic grounds against Muslims, they could change the *waqf* rules to their advantage through the political influence they acquired with economic prosperity and increasing European patronage over the imperial lands.

30 Kuran, ibid. (2001).
31 Kuran, ibid. (2001).

The major advantage of the *waqf* system was that it constituted a polycentric system of provision of social services, including public goods.[32] The decentralized aspect of the system allowed for experimentation, however, it provided only foundational flexibility, which meant that the founders were donated with certain freedoms to an extent, but the following generations were not. Despite foundational flexibility, the organizational structure was based on operational rigidity, which had two dimensions.

The first dimension involved the designated mission of a particular *waqf*, which could not be altered even by the founder let alone by the next generations. This served positively for the endurance of the mission for the good of the public. Yet, under changing circumstances, it became an obstacle in the way of efficiency. For lack of a better example, let us repeat Kuran's example: imagine a richly endowed *waqf* to build, support, and provide for a particular caravanserai on a particular trade route. Then imagine that the trade route changed or lost its vibrancy due to a newly established one. The sources of the *waqf* in question would obviously be used inefficiently if not go to waste since the *waqf's* assets could not be transferred from the by then dysfunctional caravanserai. Indeed, the *waqf* itself would become dysfunctional.[33]

As this efficiency problem was recognized early on, a residuary rule was created: those *waqfs* that became dysfunctional would be used for the relief of the poor to prevent the misallocation of resources. What happened then however was that, with changing times and needs, too many *waqfs* became dysfunctional, and this residuary rule eliminated the incentive to work. In other words, the *waqfs* were faced with an increasing "free rider" problem, which in itself turned the system to another form of inefficiency. The residuary rule did not exactly coincide with the requirements of a corporatist evolution. Yet, while this fact does not mean that the residuary rule did not benefit the society, it indicates that it made it unnecessary for the *waqf's* founder to describe the foundation's purpose in detail. This is the more important effect that led to the impossibility of competition for the *waqf* system once the Western industrialization swallowed the empire.

Still, the latter inefficiency problem due to the residuary rule, that is the lack of incentive at the foundational stage to formalize rules in order to give flexibility to the mission, was also noticed in time. The precaution then taken was that the *waqfs* were given a second chance in that the original foundational rules could undergo one modification. However, once a modification was undertaken, there could not be another reform. Hence, although inefficiency was reduced to an extent, the rigidity remained within the system. In fact, this time

32 Kuran, ibid. (2001),

33 Kuran, ibid. (2001),p. 862.

what happened was that the flexibilities were standardized, and the *waqfs* were left prone to the day they would lose their adaptive capacity. The main reason behind was the static perpetuity principle.

The second dimension of operational rigidity involved management, and also stemmed from the static perpetuity principle. If the founder for instance did not take into account the accommodation of a future work force (for a new development that the *waqf* could consider based on the first reform opportunity), those in charge could not undertake it –even to keep the *waqf* economically productive. A better example would be to consider how it was impossible for a small *waqf* to participate in resource pooling to make any horizontal or vertical integration with a larger *waqf*. "Even if new technologies came to generate economies of scale unimaginable at the *waqf's* inception, the *waqf* would have to continue operating independently."[34] The *mutawalli* (head of the *waqf)* did not have the institutional structure to maximize the wealth of the *waqf*. The inefficiency associated to this was obviously fatal for the Ottoman economy.

Although the Ottoman system provided public goods directly, it also pressured the subjects into providing through *waqfs* when and if, strategically and/or financially, it would benefit the state.[35] Not only most urban services were left to *waqfs*, most communities were directed to seek funding from *waqfs*. Well-connected communities were then in a lucky position as opposed to marginalized ones. For such reasons, it would be appropriate to claim that the *waqf* system could not possibly replace a system of municipality. Yet, the implication is not that it did not have comparable resources, but that at a time of change, opportunities and resources were left in the past.

European history of municipalities goes back to the 11th century. The residents of towns pooled their resources for collective defense projects against pillagers, which were followed by building of churches, bridges, development of markets and ports. Although their services were not superior to the *waqfs* in the Middle Ages, and the cities of the Middle East required more complex projects, Europe could respond to the urban needs of the Industrial Age of economic change whereas establishing municipalities in the 19th century meant a radical transformation for the Ottoman Empire.[36]

34 Kuran, ibid. (2001),p. 865. Also see Murat Çızakça, *A Comparative Evolution of Business Partnerships: The Islamic World and Europe, with Specific Reference to the Ottoman Archives*. E. J. Brill, Leiden, The Netherlands, 1996 for details.

35 See for further, Halil İnalcık and Donald Quataert, eds. *An Economic and Social History of the Ottoman Empire: Volume I-II*, Cambridge University Press, 1994.

36 See Timur Kuran, Islamic Influences on the Ottoman Guilds. In *The Great Ottoman-Turkish Civilization:* Volume II, ed-in-chief Kemal Çiçek, ed, Ercüment Kuran, Nejat Göyünç, and İlber Ortaylı, 43-59. Ankara: Semih Ofset, 2000 for further.

The underlying aspect of this organizational structure was conservatism.[37] The outcome was also conservatism. This peculiarity had economic, social, and political connotations: (1) it came to mean favoring (economic) continuity over (economic) change. This preference did not cause any problems as long as economies were subject to slow changes; however, when science combined with technology led to drastic changes in tastes, endowments, rules, preferences and lifestyles, the preference of (economic) continuity over (economic) change created an obstacle in the way of economic development; (2) it also led to the preservation of the ritual continuity; further as it prevented the corporatist evolution of strong private organizations, social changes accompanying such an evolution, i.e. weakening of family relations or kinship ties, decadence in the institutions of feudal society etc., did not happen; (3) over time those who wanted to undertake structural change had to face the opposition that built upon the illusion that they were targeting Islam. This was rather an ironic effect since the *waqf* system had rather tended to use religion for immunity from confiscation by the rulers.

As always the human condition in history, there were those who managed to break out the rigidity of the institutional structure to make the necessary changes for survival and maximization of wealth, with varying degrees of success. And that they existed is the main point that is wished to be made here because *their existence was the extent the system could become extra-institutional*; and *this is what established the long run context and meaning of rule of law for the society*. As they could not become the change they sought, they had to remain outside the institutional medium, just as the peasant who became a bandit. Eventually, this undermined the existing structure of rule of law, and initiated a formal change in that very structure.

The institution of trust did not emerge within a historical vacuum; "... ancient peoples –Persians, Egyptians, Turks, Jews, Byzantines, Romans, and others- developed similar structures."[38] Indeed, the concept of a trust was introduced to medieval Europe by the crusaders who, between 1095 and 1250, took note of the social institutions of their Muslim enemies. Centuries later, in the West, the institution of trust led to a corporatist structure, which developed within the industrial milieu whereas in the Middle East it remained within its institutional boundaries, and failed to compete against economies of scale and scope, and divergence in commercial enterprises of Europe.

Finally, the emergence of corporate bodies in the West embarked on the changes in the organizational structure of institutions with new regulations and rules conducive to a bourgeoning social capital. These incremental changes set in motion the forces that would alter the relations of state and church

37 Indeed, Kuran notes that *waqf* means "to stop or to make dependent or conditional".
38 Kuran, ibid. (2001),p. 848.

through clashes between an alliance of peasants and bourgeoisie, and aristocracy, putting them on separate institutional realms. In the Ottoman lands, the *waqfs* lacked corporate powers, keeping social capital weak or rather diverting the social capital to unproductive activity. The other main point to be made here is, therefore, that in the absence of institution-changing clashes between social segments, the *secular elements of rule* came through *changes in the land regime*.

V. The Guilds of the Empire: Survival against the Tide

Genç, in his path-breaking study on the economics of the Ottoman Empire, determines the basic units of the Ottoman economic mind as fiscalism, provisionalism, and traditionalism. While provisionalism determined the objective as to provide goods for the internal market in plenty, high in quality and low in price; fiscalism determined it as to maximize public revenues at all times for other than economic resources including policies of expenditure reduction. In this institutional setting, traditionalism indicated the dominance of the continuous and internalized effort to protect the equilibrium reached over centuries; the effort to prevent any emerging tendency of change that was perceived to threaten that equilibrium and the effort to relapse to the age-old imperial balance and harmony.[39]

Further yet, these units determined the basis of rule of law for the imperial economic structure and hence were perceived to provide a system of justice within the range of *Shari'a* (Islamic Law) and *Örf* (which amounted to the secular codification of the informal institutions of the imperial society). Any deviation from the confines of these coordinates was seen as an adverse change which could only be remedied by reestablishing the old order as the only desired change, and such remedy was perceived as a resolved conflict. Here, in fact, the man is still the man of Adam Smith, *homo economicus* (as opposed to *homo Islamicus* who allegedly acts on "moral responsibility"). Yet, the difference is in the opportunity set provided by the institutional setting that was strictly enforced and regulated through these institutional units and the associated behaviors.

While the West, with economic changes in the parameters, embarked on a capitalist path destroying guilds, the Ottoman system was based on their protection due to provisionalist and fiscalist concerns reinforced by the inherent imperial traditionalism. Hence, in the mercantilist age, the Ottomans remained loyal to favoring imports, agricultural landholding and traditional manufacturing, and protecting guilds. It should be noted here that the Western mercantilists also had provisionalist concerns and prohibition of exports (of grain, precious metals and raw materials such as cotton, raw wool, and hides); yet, "...the mercantilists introduced a new idea asserting that gold and silver

39 Mehmet Genç, *Osmanli Imparatorlugu'nda Devlet ve Ekonomi*. İstanbul: Ötüken Neşriyat, 2000.

accumulation depended on a favorable balance of trade through a continuous growth in home industries and in exports."[40] Ironically, with the foundation of the *Düyun-u Umumiye* in 1881 by the European powers to collect Ottoman taxes, the state privatized even its revenue collection; thus went overly capitalist and directly under European control.

Ottoman guilds were not Islamic by *association* that is -whereas the European guilds excluded even heretical Christians- the Ottoman guilds were open to Jews, Christians and Muslims alike, and some were predominantly non-Muslim. The state promoted and protected culturally homogenous guilds that served its needs because such guilds were usually organized along communal specializations that had already been in existence at the time of their foundation.[41] The late 17th century witnessed a secularization trend, which was reflected in the use of word *lonca* derived from the Spanish lonja or the Italian loggia for the guild masters' meeting place.

The Ottoman ruling elite viewed the guilds as both dangerous and useful. They had a potential of danger to turn against the state and thus create political instability while, as organized collectivities, they could help control prices, preclude shortages, collect taxes and enforce honesty or justice in the market place. A more prominent danger was that a guild that achieved monopolistic powers at the expense of both consumers and other producers could cause a mass dissatisfaction. Hence, to balance its interests, the state again used a strategy of bargaining as it did with the bandits. The bargain was that guilds would submit to state supervision; avoid actions that would hurt the interests of the state and other guilds; respect the established market arrangements; and in return, be granted official recognition and protection.

Indeed, the Byzantine territories also supervised markets officially, and it is possible that the early Muslims established a similar system under the influence of cross-cultural contacts.[42] Yet, the Ottoman market supervisors had a responsibility of enforcing public morality. Concerning prices, the supervisors set the profit margins: the price controls only helped to determine the boundaries. The task was easier when transactions happened through auctions and

40 İnalcık and Quataert , ibid, volume I, p. 48-50.

41 Kuran states that the confessionally mixed guilds included even the guild of the coffin makers, whose service has a religious dimension. In Salonica, the production of woolen cloth was in the hands of the Jews, and the state protected their near-monopoly, going so far as to prohibit others, including Muslim Turks, from buying the wool of the region until the Jews met their needs. See Kuran, ibid (2000) for the example. Also see Bernard Lewis, "The Islamic Guilds", *The Economic History Review*, 8 (1), 20-37, 1937; Halil İnalcık, "Capital Formation in the Ottoman Empire", *The Journal of Economic History*, Vol. 29, No. 1, The Tasks of Economic History (Mar., 1969), pp. 97-140. For an analysis of futuwwa traditions and Ottoman guilds, see G.G. Arnakis, Futuwwa "Traditions in the Ottoman Empire: Akhis, Bektashi Dervishes, and Craftsmen". *Journal of Near Eastern Studies*, 12 (4), 1953, p. 232-247.

42 Arnakis, ibid.

the price was public. Those transactions that involved bilateral bargaining however were not as easy to control. It is argued that the physical structures of the bazaars of the Islamic world, where one could physically observe what is happening around, served exactly this purpose. Also, the guilds were open to hear complaints from their customers, and the guild leaders could decide in favor of the customer (just as the *kadı* deciding in favor of the peasant) –although the primary interest of the guilds was the concern to keep their members from falling into poverty. The internal structure was hierarchical; still every guild watched out for eliminating inequality which indicated egalitarian characteristics. A more important aspect of the organizational characteristics of the guilds was that masters with large input quotas, who wanted to expand their guilds, faced conservative resistance. This resistance becoming the pattern formed an obstacle in the way of organizational restructuring for economic modernization.

The economic control policy was obviously the way the state sought to preserve its option for both economic and political regulation. Masses were not complaining either as they expected the prices of goods (at least of basic commodities) to remain stable even in the face of supply fluctuations. This was the (economic) paternalist aspect of societal organization and social capital. Indeed, the Islamic traditions were not anti-competitive; on the contrary if anything, they were pro-competitive. Yet, the demands for supervision and the demands for autonomy were entwined with the perception of what constitutes a "good Muslim subject". Further, the Islamic courts were empowered to deny a guild the right to make any adaptation deemed to hurt the general welfare. Subsequently, the guild could not transform into firms capable of competing with the emerging capitalist West. One other factor that the Islamic law drew upon to enforce restrictions was its individualism, which also prevented the guilds' integration since it did not recognize them as collective entities but only individual actors. An indispensable effect of the individualism of the Islamic law was the relative insecurity of property rights.

The legal Islamic rigidity destroyed the inner dynamism of the system by way of incapacitating it and further preventing guilds to take advantage of the opportunity sets that could have been available with the emerging possibilities of economies of scale or scope. As was the case with the *waqf*, as soon as changes in global economy as a result of scientific technology that radically altered tastes, preferences, endowments, rules and lifestyles in the West triggered aggressive encroachments over the Ottoman lands, the guilds were crashed.

The effect was in varying degrees as the Industrial Revolution hit those guilds in major cities or ports before the ones in regions isolated due to problems. Besides, some guilds, such as Egyptian weavers, switched to imported

inputs and remained in the market. Some like jewelry and carpet guilds also remained in the market due to increased demand. The Ottoman government attempted to produce protection policies to increase local demand for the guilds, such as the ban on wearing clothes of imported materials; however, it could not form a coherent policy package.[43]

As well known, the European guilds also lost out against the economic trends that the Industrial Revolution set forth, being unable to adjust production methods to compete against mechanized manufacturing firms. In the unlikely event of effective market protection for some guilds, the rate of returns on technical innovation would still be devastating. The crucial point is whereas the European guildsman who lost his livelihood could join the industrial labor force, the Ottoman guildsman could not: there was no emergence of modern industry capable of absorbing him, except a few fueled by Western capital and increasingly left in the lost territories. In other words, the Ottoman guildsman did not have much of an opportunity set outside the guild. This was one side of the coin. The other side was that the empire lost all the major branches of industry in the mechanized industries. A central reason behind this picture was related to the capitulations, which obliterated local incentives and opportunities to build modern factories.

As Kuran analyzes at length, the end of the Ottoman guild system owed itself to two systemic rigidities: organizational and legal. The organizational rigidity bore the constraints of primitive and essentially fixed production. The legal rigidity precluded the guilds to transform into firms and industries. The effect of capitulations permeated with systemic inefficiencies sealed the Ottoman development.

From the theoretical point, had the Islamic law recognized guilds as collective entities thus accommodating the evolution of corporations; as a by-product, a system of secure property rights could have emerged and triggered a capitalist institutional path in somewhat similar tones to Western Europe. From the economic point, the capitulations might have never transformed into severe means of encroachment by European powers into Ottoman economic and political sovereignty, which would once again reinforce the very path. Hence, from the historical point, the end represented the end of not only the guilds but also the empire.

VI. Concluding Comments

The societal structure of the Ottoman Empire did not allow for an emergence of class-consciousness and classes in the Western sense. The Sultanate carefully pieced together the circumstances that led to the formation of this structure in order to maintain control over revenue collection. Although Islamic

43 Arnakis, ibid.

thought and philosophy played a central role in the formation of these policies, the political and economic adeptness was a major concern. From the Ottoman perspective, everything had a duality in that it could be both dangerous and useful, and this perspective set up the one policy, that is bargaining. On the one hand, the very policy of bargaining produced a peculiar nature of peasant-lord (or rather peasant-*tımar*-holder) relations whereby there occurred no alliances to challenge the central authority for systemic change. On the other, Islamic law obscured the way of internal change that is within *waqfs* as well as guilds. Had social classes emerged with alliances strong enough to implement any kind of change, the Islamic law could have gradually lost its rigidity.

A corporatist evolution never happened in the absence of classes to push for property rights; the *waqfs* and guilds were restricted from the origins rotating in an increasingly vicious cycle without ever breaking out of it institutionally; and there were the notorious capitulations as the greatest economic burden on the empire. Had the bargaining nature of absolutist rule found an institutional milieu shaped by a corporatist evolution following on from the *waqf* system and the guilds, the social capital could have been channeled to productive activity, and over time, progressive political institutions.

Those institutions, i.e. banditry, trust, which in a way sought to lower transaction costs in an increasingly inefficient setting, could do so only by way of becoming extra-institutional. One direct effect was the erosion in rule of law. However, the other effect in the bigger picture was the disruption of institutional evolution, which in itself became the pattern. Thus, increase in efficiency could only be achieved through discontinuous evolution, the ultimate of which was the foundation of a secular republic.

The peculiar developmental path of the social structure of the Ottoman Empire cut across the path of the provision of public goods under its law. Although the relation seems to indicate a pattern from the first to the latter, it is not possible to claim causality since the latter also shapes the first. Perhaps, the point where discontinuous evolution assumes the pattern of evolution becomes the point Schumpeter and Harsanyi seek: the non-economic causal factor in the relation between stable institutional arrangement and economic development. Yet, it depends on the assumption of (at least some part of) law being exogenous just as North/Thomas model of the fall of feudalism depends on the assumption of collusion. Namely, discontinuous evolution too can only be treated as an exogenous variable.

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